

How Petroleum Has Transformed the Alaska Economy

by

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Anchorage, Alaska

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How Oil Has Transformed the Alaska Economy

Primary Financial Support from



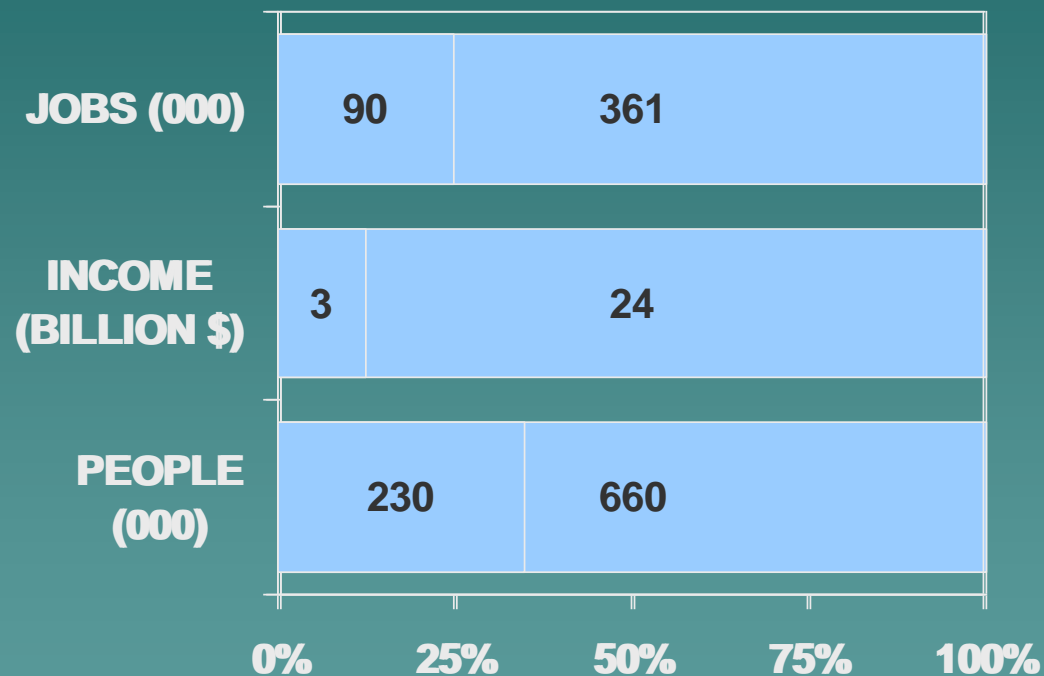
A Look Back : The Alaska Economy in 1960

- SMALL : 90 thousand jobs
- PUBLIC : ½ jobs are fed
- SEASONAL: summer private job 2 times winter
- THIN: limited support businesses
- POOR : HH income 10-20% below US avg
- UNDERDEVELOPED INFRASTRUCTURE
- LIMITED REVENUE CAPACITY

The Alaska State Seal



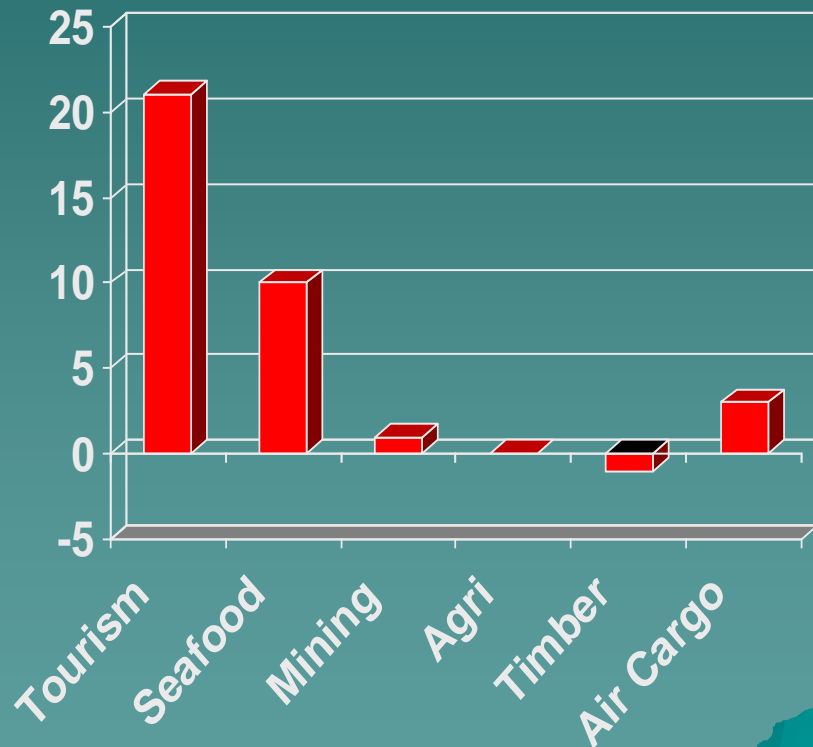
Alaska Indicators: Then and Now



Growth of Seal Industries: Not Enough to Account for Today's Economy

- Tourism
- Seafood
- Mining
- Agriculture
- Timber
- Air Cargo

Job Growth, 1961-2006 (Thousand)



The “Updated” Alaska State Seal



The Alaska Economy Stands on 3 Legs

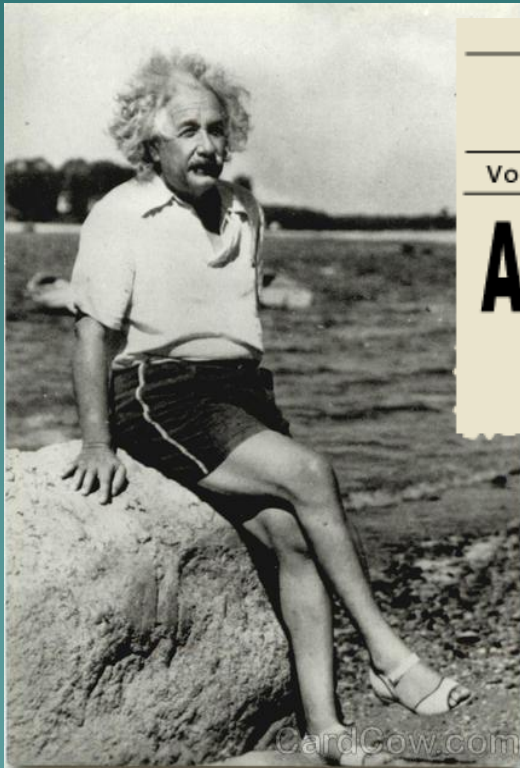


Indicators of Petroleum's Importance

State General Fund Revenues	85%
Industrial Property Tax Base	80%
Value of Resources Produced 1867-2009	74%
Private investment spending (Direct)	60%
Gross State Product (Direct)	33%
Oil Sector Jobs	3%

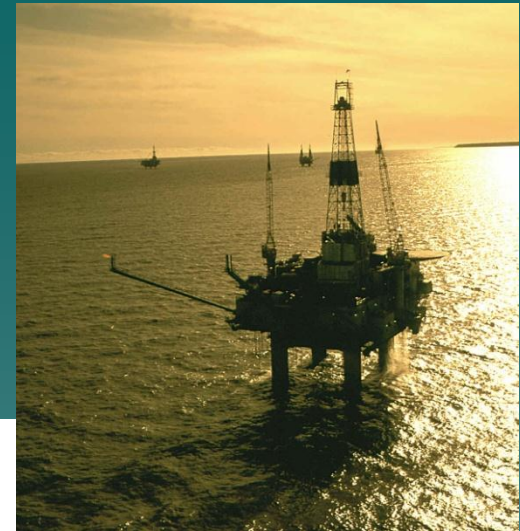
What Would Alaska Look Like Today Without Petroleum?

Gedankenexperiment



No Production--Part 1

The Oil Patch



The Role of the Oil and Gas Industry in Alaska's Economy

Anchorage Chamber of Commerce
June 30, 2008

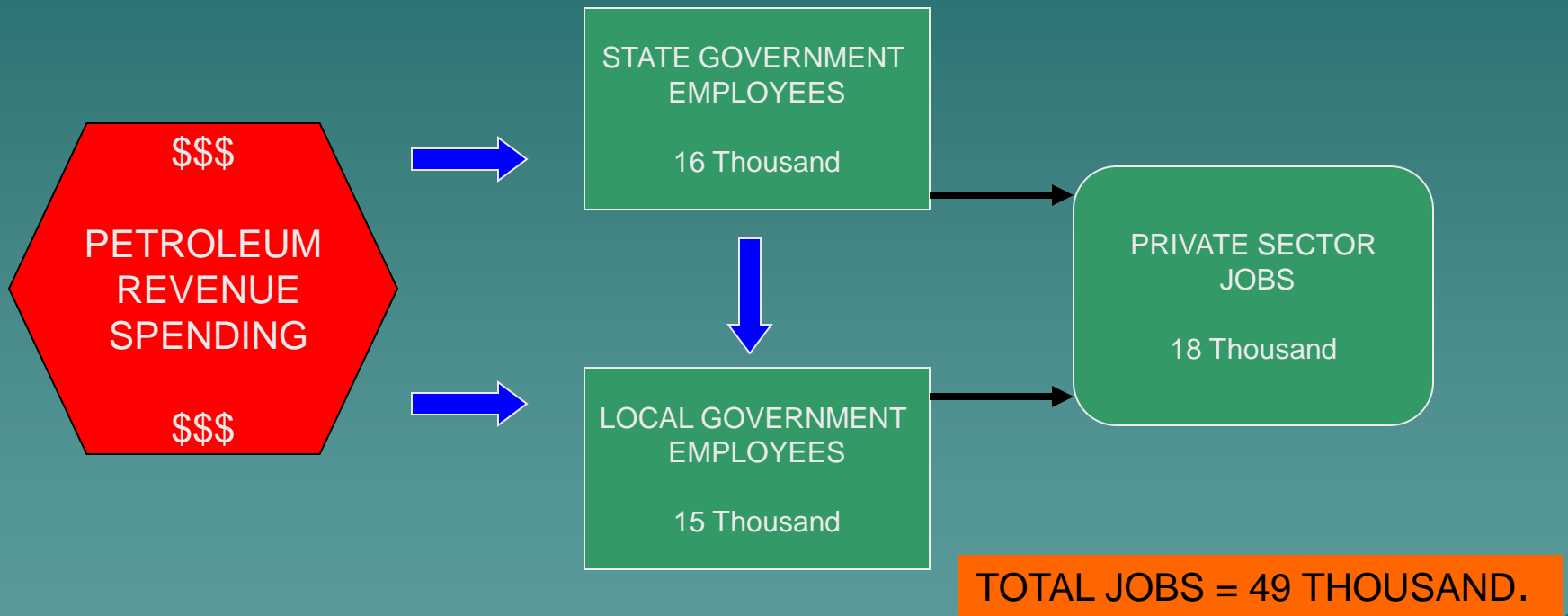


Job creation

- 41,744 jobs – direct, indirect, induced
 - 4,497 Direct – primary companies
 - 8,410 Indirect – support industry companies providing goods and services
 - 28,837 Induced – jobs created when direct and indirect employees spend their income locally

No Production--Part 2

Government Spending



Assumption: All Spent Petroleum Revenues Pay for Operations.

No Production—Part 3

The PF Dividend

2008 DIVIDEND BASICS

\$3,269 Dividend

611 Thousand Recipients

\$2 Billion Distribution

- ◆ COMPARE 2007 EARNINGS (Billion \$)
- ◆ \$1.4 Retail Trade
- ◆ \$1.6 Federal Civilian
- ◆ \$1.7 Construction
- ◆ \$1.8 Oil + Mining
- ◆ \$2.0 Health
- ◆ \$2.2 Military

3 Petroleum Characteristics Providing Support to the Other Legs

- VALUE ADDED
- STABILITY
- SIZE

Value Added : State Share



SAVE
\$35
Billion

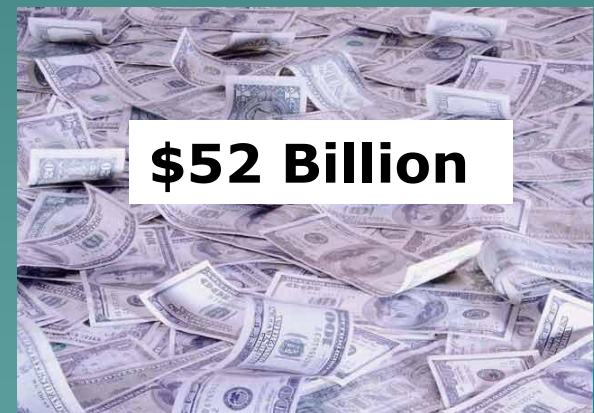


Lighter Tax Burden



SPEND
\$106
Billion

Greater Public Spending



59-08 in 2008 \$

Impact on Resource Industries from Lighter Tax Burden



State & Local Revenues from Seafood, Tourism, Mining, Timber

Actual (avg 05-07)	\$200 mill
If Oil \$ Disappeared	\$900
Incremental Burden, no Oil \$	\$700
Increase in Tax Rate	4 X

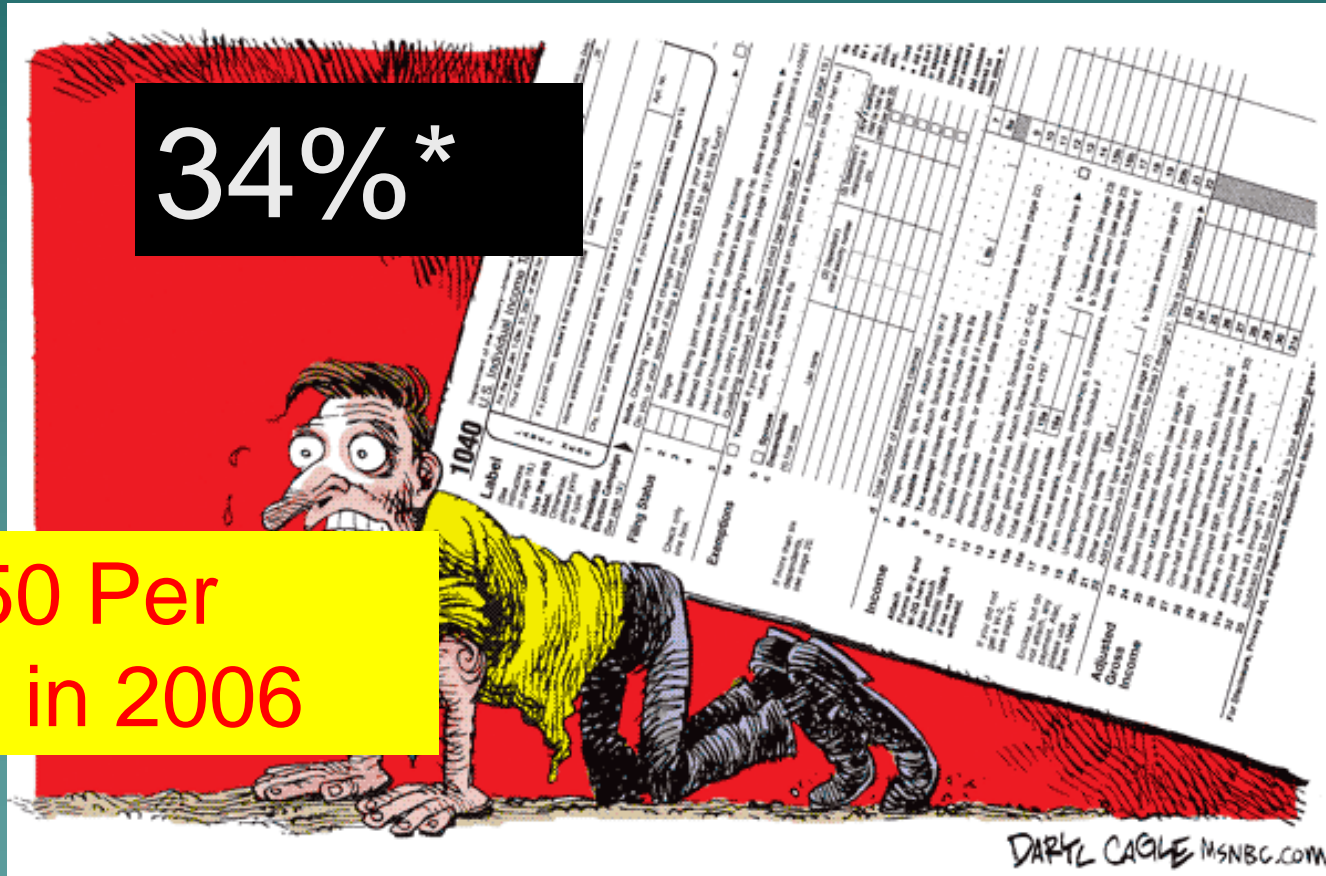
Impact on Resource Industries from Greater Public Spending

- CAPITAL SPENDING
 - Targeted Development
 - General Infrastructure
 - Household Infrastructure
- OPERATIONS SPENDING
- CAPITALIZING SPECIAL FUNDS

Impact on Households from Lighter Tax Burden

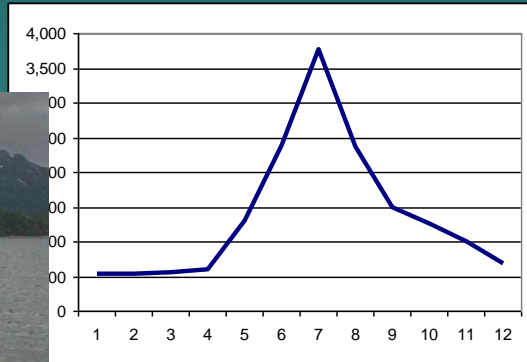
34%*

\$13,150 Per
Capita in 2006

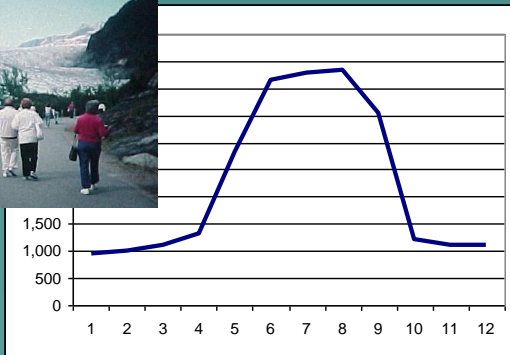


* Average State Income Tax Rate to Replace Oil Revenues—1970 to 2006.

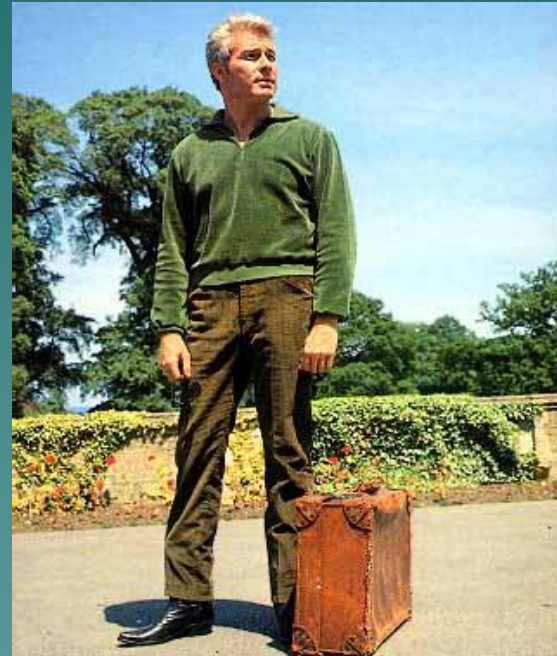
Impact on Stability: Seasonal Economies



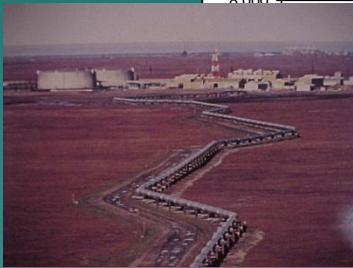
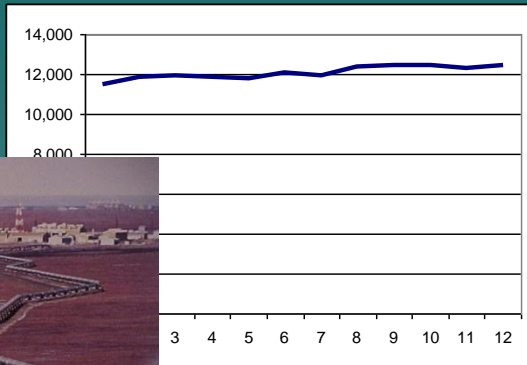
Bristol Bay



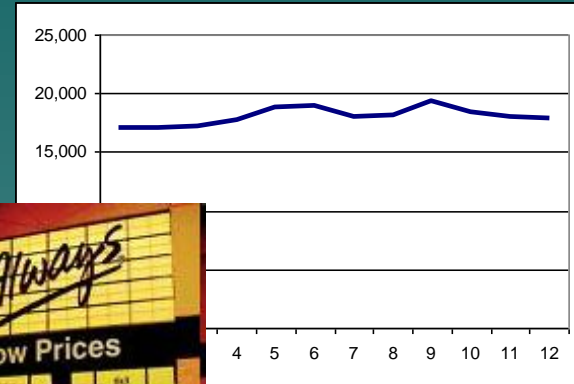
Denali Borough



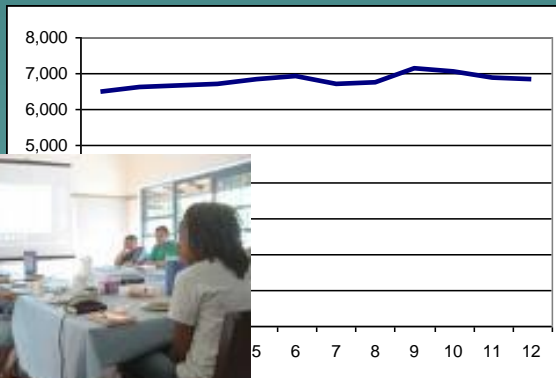
Impact on Stability: Year Round Economies



North Slope Borough



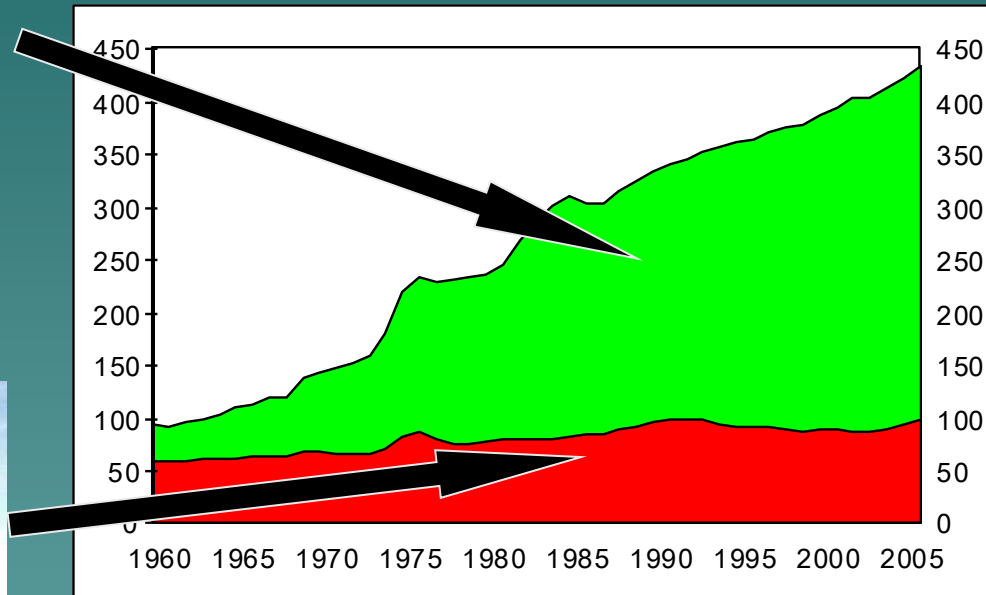
Matsu Borough



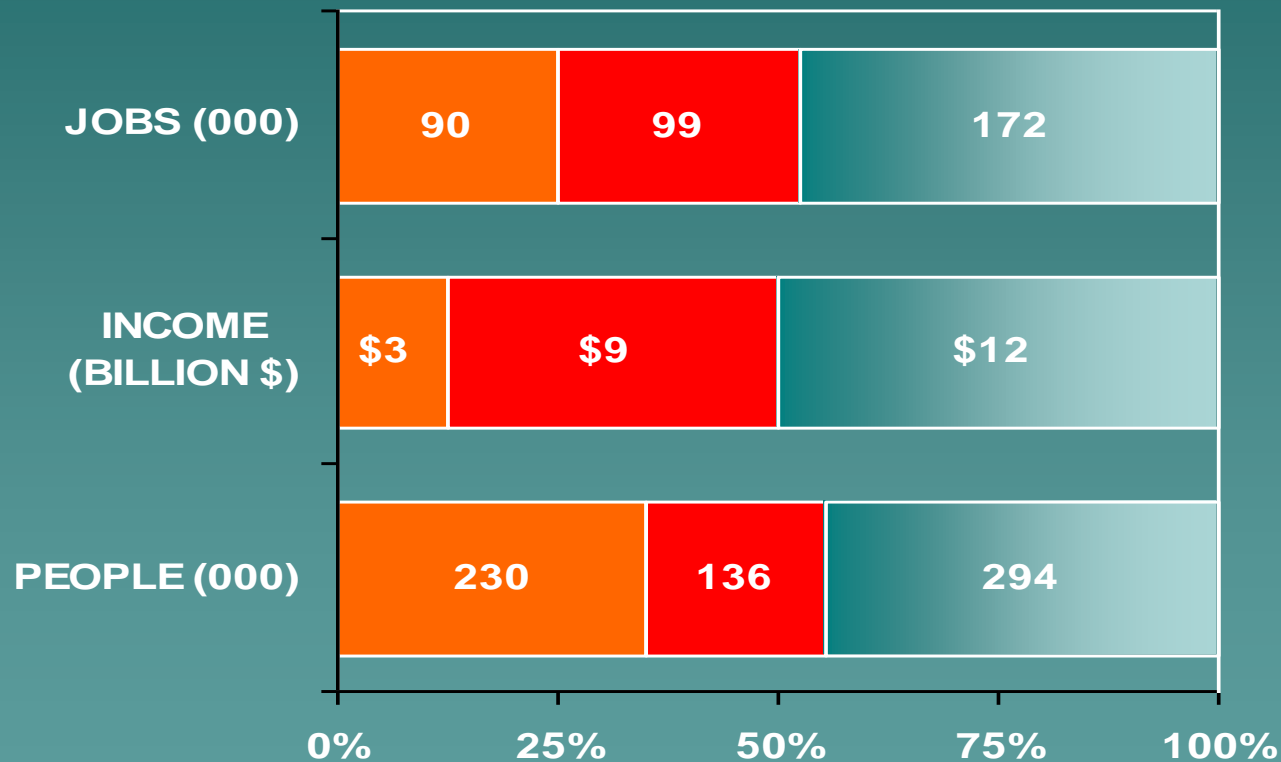
Bethel



Size Drives Economic Maturation



Alaska Growth Since Statehood



Without Petroleum: Today's Alaska Economic Base

Military	35%
Federal Civilian	23%
Tourism	20%
Fishing	16%
Mining	3%
Air Cargo	3%
Timber	0%

The Alaska Economy Without Petroleum?



Petroleum Resources for a Sustainable Economic Future (Billion Barrels of Oil)

Production History:

North Slope	15.4
Cook Inlet	1.3

Reserves Today:

Central North Slope	5.9
Cook Inlet	.1

Potential Additional Reserves

(Technically Recoverable—USGS, MMS):

ANWR	10.4
NPRA	10.6
OCS	23
Central North Slope	4

Candidates for Comparison ?

- ◆ Oklahoma
- ◆ New Mexico
- ◆ South Dakota
- ◆ Wyoming
- ◆ Montana
- ◆ Idaho
- ◆ Florida
- ◆ Nevada
- ◆ Hawaii

Maine Is Not Like Alaska



- ◆ Physically attached to Lower 48
- ◆ Federal land ownership 1%
- ◆ Native American population 1%
- ◆ Lobsters instead of crabs
- ◆ Unusual accent
- ◆ Presidential hangout

Maine is Like Alaska

- ◆ Many moose
- ◆ Few humans
- ◆ Cold
- ◆ Remote
- ◆ Independent streak



Maine and Alaska

- ◆ Fish / Tourism / Timber / Mining / Agriculture
 - ◆ Limits on sustainable harvests
 - ◆ Challenged by globalization
 - ◆ Small and declining manufacturing
 - ◆ Dependence on federal \$\$\$s
-
- ◆ Conflicting visions about use of resources
 - ◆ “Zero Sum Game” development mentality



Maine Economic History in a Nutshell

“Throughout the second half of the twentieth century, Maine has STRUGGLED to find a proper balance between resource-based industrial development and environmental protection.

The state has come to rely heavily on tourism, small manufacturing enterprises and defense-related activities and installations for much of its economic base.”

Maine Economic Performance: Some Evidence

- ◆ Gross State Product per capita: 43rd (Ak 7th)
- ◆ Job Growth: 66% (Ak 144%)
- ◆ Population Growth: 46th (Ak 5th)
- ◆ Median Age: 1st (Ak 49th)
- ◆ Housing Built Before 1939: 31% (Ak 2%)
- ◆ Median Paycheck: 77% as high as Alaska
- ◆ Projected Population Growth = 1/3 US average (Ak 30% above)

Typical Family Comparison



\$55,641	Wages	\$72,750
-\$7,077	State Taxes	\$0
\$0	Dividend	\$6,800
\$29,995	Public Spending	\$49,064
\$78,560	Total	\$128,614
	ALASKA "BONUS"	+\$50,054

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